LAHD Responses to Assemblymember Bonnie Lowenthal (April 13, 2009)

1. Gambol Industries has proposed a ship repair and building facility on the Berth 243-245 site.

Thank you for your comment. Assessing a potential use by a particular company at Berth 240Z is not part of the of the Channel Deepening Project and is therefore outside the scope of the Proposed Project, which is to create additional disposal capacity for disposal of approximately 3.0 million cy of dredge material to complete the Channel Deepening Project. However, the Los Angeles Harbor Department (LAHD) did consider a proposal from Gambol Industries (Gambol) through LAHD's Application for Development Project (ADP) process.

The Berths 243-245 site is not currently operating as a ship repair facility; Southwest Marine's tenancy was terminated in October of 2004, and the site was turned over to LAHD in October 2005. The site is currently secured by a caretaker, Gambol, whose duties include site security and promoting the site for use by the movie industry as an interim use, in accordance with the City of Los Angeles Mayor's initiative.

LAHD received an ADP by Gambol on February 18, 2009, after the Draft SEIS/SEIR was released and after the comment period had closed. LAHD retains the discretion to deny applications. After assessing Gambol's application it was rejected for a number of reasons. First, LAHD's long term land use concept for the site is to accommodate the relocation of commercial fishing facilities from Fish Harbor and a marine service station (the concept would require separate environmental analysis, if proposed). Secondly, in its application, Gambol applied to use the site to support commercial fishing, filming, and handling liquid bulk, along with using the site as a shipyard. The area is not large enough to support all the proposed uses. Additionally, film and television production activities are inconsistent with the Port Master Plan and the California Coastal Act as these activities are not maritime-related nor water dependent or related uses. Third, in its application, Gambol proposed that LAHD should partially fill only one of the slipways. As discussed in the SEIS/SEIR, approximately 80,000 cubic yards (cy) of material from the remaining Channel Deepening project are unsuitable for ocean disposal. As shown in Figure 2-13 of the SEIS/SEIR, a properly designed CDF requires a seismically stable retainment structure, a clean material berm inside the retainment structure for encapsulation and or seismic stability purposes and additional clean material to create a cap to encapsulate contaminated material held within. In the proposed Project, 80,000 cy of contaminated material will be encapsulated by 288,000 cy of clean sediment and 180,000 cy of surcharge will be placed on the completed CDF to promote densification of deposited dredge material. The volume of material required to construct the CDF as described above will require the use of both slips as described in Attachment 1.

Finally, the Port of Los Angeles currently supports one large ship repair facility with the ability to haul out vessels up to 250 feet and service vessels in-water up to 450 feet, Al Larson Boat Shop. There are two smaller repair facilities that service ships less than 100 feet: Colonial Yacht Anchorage, and Wilmington Boat Repair. In addition, Gambol has a facility in the Port of Long Beach with the ability to haul vessels up to 150 feet and service vessels in-water up to 350 feet. There are

also smaller ship repair firms that provide in-water service, including Oceanwide Ship Repair in Long Beach and Dockside Machine and Ship Repair in Wilmington. LAHD has recently reviewed the supply of ship repair facilities both locally and along the coast and there appears to be sufficient capacity to address demand for such facilities. The need was found to be low, as the service is already provided by Al Larson and most foreign flagged vessels will seek repairs in Asia or other ship calls as part of routine ship rotations due to lower costs. For domestic ships and barges serving the San Pedro Bay ports, large ship repair and shipbuilding facilities supporting the Southern California area currently exist in San Diego. Many ships routinely travel between the San Pedro and San Diego port complexes to transport materials and provide services and will schedule maintenance repairs to coincide with such trips. Additionally, there are fourteen ship repair and shipbuilding facilities along the U.S. West Coast.

In addition, Al Larson submitted an application to the LAHD in June 2008 to expand and upgrade their existing facilities, which would increase the capacity for ship repairs in the San Pedro Bay, provide jobs and potentially reduce costs for larger ships seeking repairs outside of their normal schedules. Consistent with the LAHD's Leasing Policy, LAHD is working with Al Larson Boat Shop, an existing long-term tenant, on their proposal.

In support of its Marine Center proposal, Gambol identified at least 750 ocean-going vessels between 200 and 650 feet which would be candidates for service calls at its proposed facility. Counting the number of vessels that call that are between 200 and 650 feet is not an approximation of market demand for ship repair services. Port of Los Angeles has reviewed data provided by the Marine Exchange for the 811 calls by ocean-going commercial vessels less than 650 feet in 2008, including their previous port, previous foreign port, and destination. Of these calls, 592 were performed by vessels that either came from or were going to another port not located on the North American West Coast. These ships presumably have easy access to lower cost foreign ship repair facilities. Only 219 calls, or 27% of the total number of calls, were performed by ships that were engaged in the coastal trade, i.e., ships coming from and then going to another North American West Coast port. For most of these, their routes take them past the major shipyards of Portland or San Diego. In short, the market is much smaller and more competitive than Gambol has indicated.

Gambol identified the approximately 100 barges in the San Pedro Bay as another source of market demand. Ten barges larger than 270 feet currently travel to San Diego or Portland for servicing; however, 90% of the barges in San Pedro Bay are below this size and are currently served by existing ship repair facilities.

Gambol has also identified the vessels of the U.S. Navy as a potential category for shipyard work. However, this is an unlikely source of future market growth, as the U.S. Navy requires that repair work be performed in a vessel's homeport. In addition, a ship repair firm must have a contract with the Navy to perform any small boat work. Al Larson Boat Shop currently has a contract with the Navy for this work. In June 2009, this six-year contract will be put out to bid again by the U.S. Navy; as a result, no small boat work for the U.S. Navy would be available to the Gambol Marine Center for

at least six years (even if approved by the LAHD, a facility at Berths 243-245 would not be available in time for the June 2009 6-year contract).

Interviews by the LAHD Planning staff with West Coast shipbuilders and ship repair yards (in Seattle, San Diego, and Portland) indicated that U.S. shipbuilders face strong competition from foreign shipbuilders, and are operating on very tight profit margins. As discussed above, the Navy requirements limit growth in areas with little to no naval presence and foreign commercial ships are serviced in lower-cost foreign facilities. The only market for growth appears to be barges and tugs. Such sized vessels could be serviced in-water or at the Al Larson facility assuming the company's expansion proposal is approved.

Alternatively, the Channel Deepening Project creates jobs immediately. Delaying the Channel Deepening delays those jobs, but does not create any jobs in its place. Even if LAHD decides to support a shipyard proposal through a separate planning and environmental process, pending approval, it will be quite some time before a shipyard at Berths 243-245 opens.